



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.07

Voluntary Report - public distribution

Date: 2006/7/19

GAIN Report Number: TW6022

Taiwan

Agricultural Situation

A "New Movement" in Taiwan's Agricultural Policy 2006

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Report Highlights:

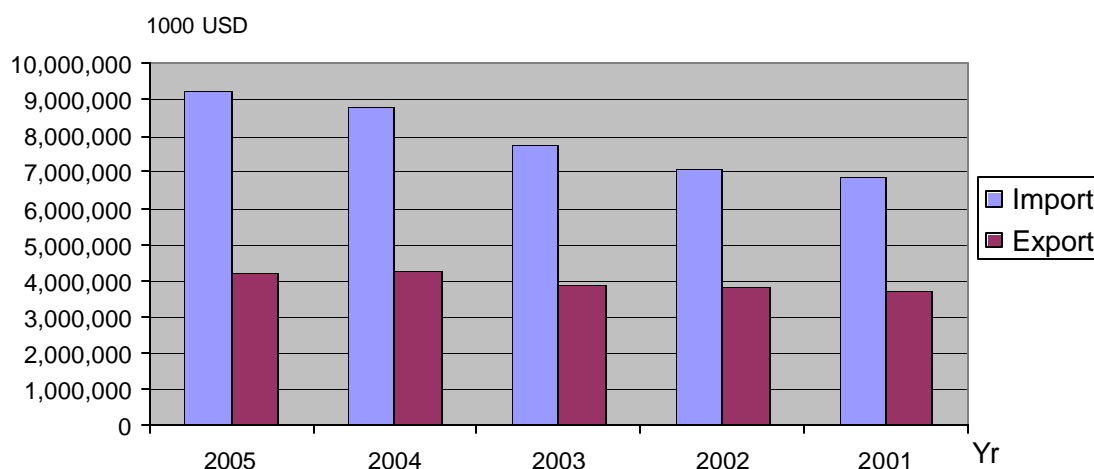
As part of an extensive package of proposals to improve the agriculture sector Taiwan may switch the current rice purchase program to a direct payment program. In addition, the Taiwan Council of Agriculture (COA) plans to seek access to foreign markets, encourage young people to enter farming, and to feature quality using a traceable production system, brands, and e-commerce marking. It also plans to promote agriculture tourism, bed and breakfast farms, bio-fuel production, and pick your-self orchards.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei [TW1]
[TW]

A “New Movement” in Taiwan agricultural policy

I. Summary

As part of an extensive package of proposals to improve the agriculture sector Taiwan may switch the current rice purchase program to a direct payment program. In addition, the Taiwan Council of Agriculture (COA) plans to seek access to foreign markets, encourage young people to enter farming, and to feature quality using a traceable production system, brands, and e-commerce marking. It also plans to promote agriculture tourism, bed and breakfast farms, organic crops, bio-fuel production, and pick your-self orchards. These are components of what the newly appointed Minister Su of Council of Agriculture (COA) recently called a “New Movement” in Taiwan agriculture. It is partly a response to market liberalization that resulted from Taiwan’s accession to the World Trade Organization (WTO) in January 2002. Prior to market liberalization, Taiwan agricultural production emphasized sufficient supply. Farmers are now facing keen competition from imported products and losing market share.



The program proposals in the “New Agricultural Movement” are listed below.

1. Switch the current rice purchase program to a direct payment program. This is because a single crop commodity, rice, accounts for 60 to 70 percent of Taiwan’s AMS support and because government carries high public stocks thru government purchase program (refer to TW2012). The program is likely to be at least partly decoupled.
2. To plant oil crops on some 220,000 hectares of fallowed land. The final goal is to provide 2 percent of the proposed diesel consumption. Taiwan’s total motor vehicle demand in 2005 is 4 million kilolitre for diesel (refer to TW6017).
3. To double organic production in three years to approximate 0.2 percent of the total production area.
4. To increase agricultural exports by 20 percent in three years from 2005 exports, valued at \$3.58 billion.

5. To attract 1,000 youth join farming business in three years to add new blood to the agricultural farming community.
6. To develop eco-aquaculture and to prohibit agricultural activities that endanger ecology. To install GPS systems on all deep-sea fishing boats which will allow them to report back to Taiwan their location.
7. To promote Agricultural Tourism, Bed & Breakfasts, and pick yourself orchards to increase farm incomes.
8. To establish a swine insurance program to prevent deceased hogs entering the pork supply.
9. To promote brands and e-commerce marketing.
10. Triple technology transfer revenue from NT\$15 million in 2005 to NT\$45 million by the end of 2008.

Of these proposals, the proposed change from the current rice purchase program to a direct payment subsidy is the most important and is reported in TW2021. The energy crops program is reported in the Bio-Fuels Annual (TW2018). Some of the remaining proposals are summarized below.

II. Program Proposals

Foreign Market Access

Accession to the WTO improved access to the Taiwan market for imported agricultural products as import of some products was prohibited or controlled. Taiwan is a net agricultural import market. Its agricultural imports increased 36 percent to \$9.35 billion in 2005 from 6.86 billion in 2001, a year before Taiwan's accession to the WTO. COA has initiated export promotional programs in an effort to reduce the impact of imports, and has set a goal to increase its agriculture exports by 20 percent by the end of 2008 from \$3.58 billion in 2005. The press has been inspired by export success stories, no matter how small size of the shipment was. For example, it made the headlines that Taiwan passed Japan's food safety and quarantine standards for the first time and was allowed to ship papaya and rice to Japan in 2005. In 2005, Taiwan shipped 16 mt (\$50,000 worth) of papaya and 271 mt (\$196,000 worth) of rice to Japan. Market access for farm goods has even been an issue in cross straight politics, with China offering WTO inconsistent preferential treatment to some agricultural products from Taiwan.

Sustainable farming society

While the agricultural sector contributes less than 3 percent to Taiwan's GDP, 5 percent of households get some income from farming. Farmers are, on average, 58 years old and authorities are interested in attracting new farmers. Starting July 2006, COA will hold a series of activities designed to introduce farm life styles to potential farmers and attract them to enter the business. They will also initiate incentives to assist young people in starting farming businesses. COA's goal in its new agricultural movement is to attract 1,000 farmers between 18-35 years old to join farming business in three years.

Taiwan benefits from its subtropical climate and is able to grow two crops per year in the north and three crops per year in the south. Taiwan relied heavily on agricultural exports to

earn foreign revenues in the 1960's and 70's, and had been over protecting its agricultural sector until WTO accession. Now Taiwan sometimes faces "surplus" domestic supply in some products as that face competition from imports. To adjust domestic supply and to segregate the market, COA is introducing agricultural tourism and organic farming. Establishment B&B farms and you pick orchards is also encouraged by COA in attempt to increase farming incomes. Annual per household income in 2004 was \$26,716 for farm families and \$34,215 for non-farm families (Average exchange rate for 2004 is \$1= NT\$33.43.). Of the average farm family household income, only 22 percent income is from agriculture, crop, livestock, forestry and fishery combined. COA is going to hold annual campaigns to select the top ten B&B farms, outstanding farmers, and local producers.

Traceability

Taiwan launched a traceability program for agricultural products two years ago. As of today, there are 64 items included in the program; i.e. the standard operational procedures (SOP) for these items have been established and are ready for producers to apply for. These product items are labeled with special barcode, which allows tracing back from the farm to table. It is hoped that this will increase consumer's confidence in domestically produced agricultural and food products.

Taiwan views traceability as a trendy in developed countries as Japan implemented the E-Japan program in 2002, the United States passed the Bioterrorism Act in 2003, and EU incorporated traceable system into bar code system in 2005. Taiwan established its traceability system in part to comply with import standards of its target export markets in the United States, Japan and EU. In addition, Taiwan has sometimes experienced food scandals where some consumers panicked and refused to purchase or consume the food in question cross the board without differentiating between sources. For example, consumers usually declined to have pork dishes whenever there was a reported case of pork meat supplied from sick animals. COA hopes that a traceability system could trace back the food item in question in a food scandal case and prevent negative impacts on good quality food supply. In addition to traceability, an insurance program on hog production is being considered to prevent dead diseased hogs from entering the food supply.

COA's objective is that traceable agricultural products be available to consumer at 150 supermarket and hypermart retailing outlets in suburban areas in three years. By 2015, all agricultural products will be included in a traceability system. At the present time, some of the 64 items in the traceability system are available only in two high-end supermarket chains in Taipei.

COA promotes traceability as a safety and quality assurance system. Food items in the system had an average 15 percent price premium over products that were not in the system. COA prioritized the food items to be included based on which had food scandal cases, safety concerns, or were target export items. Organic products are also on the list of priority items to be included in the traceability system.

Organic Food

Taiwan demand for organic food is growing. According to local industry estimates, the market is worth more than \$30 million USD, virtually all of which is imported. Domestic organic production is miniscule with a total production area of 1,335 hectares, less than 0.2 percent of the 737,000 hectares of 2005 total production area. The objective is to double domestic organic production by the end of 2008 from the current level.

Brands and e-Commerce Marketing

With strong information technology and convenient logistics systems, Taiwan farmers can sell and deliver their products directly to the end users. Domestically produced products are

more competitive to imported goods in direct marketing or e-commerce from farm to consumers.

Technology Transfer

Taiwan is trying to form an innovative high tech agri-business sector. Taiwan currently does not have large-scale life science or agri-business companies to commercialize or adopt biotechnology or other technological innovations. In the past, research results of Taiwan government funded agricultural research were given to farmers and agribusiness free of charge. The system didn't provide protection to Taiwan's agricultural technology and there are only a few private research laboratories in existence. To encourage technology transfer, Taiwan recently implemented regulations similar to the U.S. similar Bayh-Dole Act to encourage the transfer of technology to the private sector. While there are only a few successful cases of agricultural technology transfer as of today, COA has set a goal to triple income from COA developed licensed technology to NT\$45 million from NT\$15 million in 2005. COA has also trained mediate level staff (who are also potential managers) in IPR, patent licensing, and technology transfer.